

GROWING, TOGETHER

Community **FIRST**  
Financial Corporation



# Growing Together

## Board of Directors

Bill Hingst, *Chairman of the Board*  
 Dr. Stacy Atkinson  
 Bill Bersbach  
 Robb Blume  
 August Cijan  
 Cartwright Ellis  
 Rex Gingerich  
 Dr. J. Michael Harshman  
 Jack Hingst  
 Mark McCann  
 David McFatrige  
 Ron Metz  
 Matthew Murphy III  
 Monica Peck  
 Pete Smith  
 Mike Stegall  
 Curtis Welke

## Management Team

**Robb Blume** President & CEO  
**Bob Hickman** EVP, Chief Credit Officer  
**Bill Buchanan** SVP, Chief Financial Officer  
**Scott Hammersley** SVP, Commercial Loan Group Manager  
**Kim LaFollette** SVP, Director of Retail Banking  
**Bea Wiles** SVP, Chief Operating Officer  
**Carlonda Davis** VP, Human Resources Director/DE&I Officer  
**Karen Munsey** VP, Investment Department Manager

## Locations

**Indianapolis** 9333 N. Meridian St., Suite 125  
**Kokomo** 201 W. Sycamore St.  
**Kokomo** 2101 S. Dixon Rd.  
**Kokomo** 1308 E. Hoffer St.  
**Noblesville** 17661 Village Center Dr.  
**Noblesville (LPO)** 5570 Pebble Village Ln., Suite 400  
**Westfield** 707 E. State Rd. 32  
**Westfield** 381 S. Junction Crossing

## A note from Community First Bank's Founder, Mike Stegall



It seems like it was just yesterday, not 20 years ago, that I was addressing prospective shareholders and trying to convince them to invest in a new bank in Kokomo. The thought, I'm sure, in most of their minds was, "Why in the world would I invest in what would be the 13th bank in Kokomo (not counting the credit unions)?" This was a fair question indeed! My response was very simple — there was, in my opinion, room for a **TRUE** community bank. One that was governed by a board of directors that were local and had deep roots in this community; one that was predominantly owned by local investors and one that would employ the best of the best bankers that resided in this community. Well, it obviously resonated and within the next few months we had raised over \$12.5 million — a feat that our attorneys and investment bankers said would not be possible without their help (which would have been very costly). A large number of those initial investors are still investors today, which is a fact that makes me smile every time I think about it.

As my tenure on the board has reached its conclusion, I leave knowing that all of those initial investors, as well as those that have joined the family along the journey, should be very satisfied with the role they played in assisting the bank to reach over half a billion dollars in total assets! I have been blessed to have played a role in turning a dream into a reality, providing a sound investment to our shareholders, and becoming a provider of great jobs to our employees and significant benefit to those communities we serve. I give my heart-felt thanks to everyone that has been involved in this amazing adventure.

# Robb Blume

## President & CEO



I am very happy to report that 2021 was an outstanding year on all fronts. Despite ongoing challenges created by the COVID-19 pandemic, your bank generated record profits and outstanding growth, while investing in people

and infrastructure to support continued success. We saw our first full year of ownership in 1<sup>st</sup> Signature Lending, LLC result in additional profits to your bank, we entered into a lease on our first Marion County branch, and we implemented the next phase of our succession plan for our board of directors. Finishing the year with average assets over \$500 million and consolidated, after-tax net income of over \$5 million were both milestones that we are proud to have reached. The letters from some of our senior leaders will go into more details on the numbers resulting from 2021. My comments will be more forward looking and focus on organizational development, as we continue to build a bank that can Grow, Together to continue providing opportunities for our owners, employees and communities.

Organizational development, to a great extent, means people development. To that end, our board of directors and management team have made a commitment to creating an environment that attracts the best and brightest bankers in each of our markets. We are continually fine-tuning our compensation and benefits packages to be competitive in the marketplace but more importantly, we work diligently to create an environment and culture where people can thrive. 2021 saw continued efforts to grow as an organization, as we deepened our internal training programs, researched and implemented outside leadership development, created a Diversity, Equity and Inclusion team, and continued our work on succession planning at both the management and board levels. Frequent polling and surveying of our team allows us to evaluate employee satisfaction and discover ways to improve as an employer. We are proud to have once again been named one of Indiana's Best Places to Work and feel that honor is simply a reflection of the quality of our people.

Systems, procedures, processes and facilities also play a part in organizational development, and bank personnel work tirelessly to improve each of these areas. As technology continues to evolve at a rapid pace, it is critical that we utilize that technology to improve our customer experiences and to become more efficient in the way we deliver products and services. This means investing in new technology and infrastructure to support continued growth. Our team will continue to consult with vendors, peers, and industry experts to determine best practices to grow your bank in the safest and most profitable manner possible. The addition of a new banking facility at 9333 North Meridian Street in Indianapolis gives us excellent visibility on the North Meridian corridor and easy access to the southern Hamilton County and Indianapolis markets.

One of the primary reasons for our desire to grow has been to create opportunities for our people. This has been demonstrated

over the years and 2021 was no different, as we welcomed new leadership in key areas of the bank, including mortgage and investment. Likewise, we welcomed three new board members, Dr. Stacy Atkinson, Matthew B. Murphy III, and Jack Hingst to our board of directors. These new board members were welcomed in anticipation of the upcoming retirement of three of our founding directors, Mike Stegall, Bill Bersbach and Curt Welke. It is with a great sense of anticipation that we bring on the new board members and a profound sense of gratitude that we say "thank you" to those who are retiring. Without your guidance, wisdom, patience, and sense of adventure we would not be here today.

As we look back on 2021, it has been a year of successes and a year of preparation for future challenges and successes. As we look forward, there are headwinds to be dealt with. Rising interest rates will present challenges for our lending teams, particularly in the mortgage area. The current state of the economy, with inflation at a rate not seen in many years and challenges finding employees in nearly any industry, will impact every company and consumer in some way. With the current federal administration, we are seeing the regulatory pendulum swing back to the side of more regulation for the financial industry, which results in higher compliance costs and less freedom to make decisions that are best for our bank, our customers, our owners, and our communities.

But we have faced and overcome many challenges in our 19 years in business. We continue to see strong credit quality in our loan portfolios and our commercial loan pipeline remains very robust. Additionally, we remain dedicated to growing our SBA lending presence and are seeing that pipeline grow. Our purchase of a controlling interest in 1<sup>st</sup> Signature Lending

has proven to be profitable and we anticipate impressive growth and even greater profitability from that business unit. Our retail banking team continues to generate impressive rates of new account openings and deposit growth, and our entry into the Marion County market should provide additional opportunities for all business lines.

As in past years, this letter is really one of thanks. Thanks to each of you who have invested in this bank, thanks to all of our employees and board members who have made our success possible, and thanks to the people in our communities who have not only supported us but, in many cases, become brand ambassadors. Our pledge to you is to continue our efforts to Grow, Together.

A handwritten signature in dark ink, appearing to read 'Robb Blume'.

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## Bill Buchanan Chief Financial Officer



I'm happy to say 2021 produced continued solid results for the bank, even though it was a year where COVID-19 challenges continued to present themselves along the way. For the second year we participated

heavily in the Paycheck Protection Program (PPP) lending program orchestrated by the federal government, serving both customers and non-customers to help assure their accessibility to this vital program. We funded over thirty-four million dollars of PPP loans during the year, which again

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placed stress on both our liquidity and capital positions. We once again weathered the storm nicely, assuring customer access to funding while maintaining healthy levels of liquidity and capital throughout this process. The bank continued strong organic growth along with the growth attributable to the COVID-19 related PPP, having grown total assets to \$551.1 million at December 31, 2021, which is over \$82.9 million, or 17.7%, more than the previous year

end. The bank continues to be well positioned to handle the further financial demands related to the consistent organic growth attributable to our valued customers in both Howard and Hamilton counties.

Year over year balance sheet growth was once again aided by our 50.1% controlling interest in our mortgage subsidiary, 1<sup>st</sup> Signature Lending (FSL), with over \$55 million in total assets as of December 31, 2021. FSL is a well-regarded mortgage lending company based in Indianapolis that currently serves fourteen states, including Indiana. The acquisition was effective as of December 31, 2020 which means that 2021 is the first time that FSL's income and expense items are included in the consolidated results for the year ending December 31, 2021.

### Net Income and Return on Assets versus Peer Group

The bank recorded net income of \$5.1 million for the year ended December 31, 2021 compared to net income of \$3.1 million for the same time period in 2020. Substantial increases in net interest income and gain on loan sales were noted. Additionally, our \$721,000 portion of FSL's 2021 pre-tax earnings added to the year over year increase. Note that the increases in income were partially offset by continued increases in salaries and wages, along with occupancy expenses, due primarily to the continued expansion efforts

in Hamilton County. The bank produced a favorable return on average assets (ROA) of 1.12% when compared to the 1.00% average ROA recorded by our peer group that consists of Indiana based commercial and savings banks between \$250 million and \$1 billion in total assets as of December 31, 2021.

### Tangible Book Value per Share

Tangible book value grows each year by the amount of net income earned minus the dividends that are paid to our shareholders, along with any new stock issued during the year. In 2021 our net income was \$5.1 million, dividends paid amounted to \$1.05 million and \$3.04 million of new stock was issued, resulting in ending tangible book value of \$21.88 per share, compared to an ending December 31, 2020 book value of \$16.26 per share based on total shares outstanding at December 31, 2021, resulting in a 29.0% increase year over year. Dividends per share in 2021 amounted to \$0.64 per share compared to \$0.62 per share in 2020.

### Net Interest Margin versus Peer Group

Net interest margin is one of the primary drivers of the bank's earnings. It's calculated by taking the difference between the total interest income earned on the bank's interest-earning-assets, such as loans, investments, etc., minus the total interest expense paid for deposits, borrowings, etc. This result is then divided by the bank's average interest earning assets in order to arrive at the net interest margin (NIM). For the year ended December 31, 2021, NIM was 3.57% compared to 3.77% for the same time period in 2020. Note that our margin was once again compressed in 2021 due to general economic market conditions along with our originating over \$34 million of PPP loans at an interest rate of 1.0%. Despite this compression, the ratio continues to compare very favorably to our peer group NIM of 3.15% for the year ended December 31, 2021.

The challenges that 2021 presented were once again considerable and we are thankful that the bank has consistently been able to end each year in an even stronger financial position than the year before. This was another year of solid profitability with continued quality loan and deposit growth, along with the successful integration of FSL that will continue to enhance our earnings performance going forward. Our team members are proud to produce such results while at the same time providing personalized, helpful, and value-added services to the customers and communities that we serve. We will continue to meet the numerous challenges placed upon us as we move forward and we will continue to be energized and eager to maintain our high level of service to all of our stakeholders as we forge ahead in 2022!





## Bob Hickman Chief Credit Officer



Each year, members of senior management are given the privilege of including a message to the shareholders of Community First Bank in our annual report. This year, Lainey Schroer, our outstanding head of marketing, told us that

the theme of the report would be “Growing, Together”.

Before I started writing this, I went back and looked at all of our annual reports from recent years. As I re-read what I had written in each edition, it brought back vivid memories of all the successes and challenges that we have faced as a banking family over the years. I also came to a realization; this wouldn't be the first time I had addressed growth and working together in my annual message. In fact, it seems like every year, regardless of the other issues facing the bank, the underlying theme has always been “Growing, Together”.

It's now been more than 19 years since the dream of a new community bank in Howard County became a reality. As a much younger banker at the time, I was grateful for the opportunity to be a part of it. There were 16 of us on that cold

**“... more important was the spirit from which it was born; we were going to be a family here at Community First, and we were all in this together.”**

February day in 2003 when we opened the doors to the public for the first time; As I write this today, it's hard to believe, but that number is now 116.

With only 16 employees, we each had to wear a lot of hats in those early days. When we opened the bank, we only had 4 front-line employees to

open accounts and handle customer transactions. We soon realized that wasn't enough to cover all of our hours, so someone thought it would be a good idea to have a member of management rotate in each weekend, working behind the teller line with one of our retail people in order to cover Saturday mornings.

What seemed to be a good idea in theory did not work particularly well in real life. Personally, as I struggled to master the nuances of the job, I very quickly developed a deep appreciation for the outstanding work of our customer service professionals. To this day, those of us who were there at the time argue about which one of us was the worst part time teller. When your co-worker is busy waiting on a customer, and another customer walks in, takes one look at you standing in the empty teller window, and then makes the choice to walk over and stand in line to wait for the “real” teller, you know you are not very good at your job. Still, we all gave it our best effort.

Regardless of the success or failure of this one idea, more

important was the spirit from which it was born; we were going to be a family here at Community First, and we were all in this together. Each and every one of us was going to do whatever we needed to do to support each other and make the bank a success. If that meant pitching in and helping out in an area that was outside of our comfort zone, then that is what we would do.

Based on this core value, the bank has grown and thrived. In 2021, the bank's loan portfolio grew to over \$414 million, an increase of almost 22% over the total at year end 2020. Within that group, residential portfolio mortgages and home equity lines combined grew by 43.6%, with a substantial portion of this success driven by our strategic partnership with our subsidiary company, 1<sup>st</sup> Signature Lending. On the commercial side, the bank also experienced outstanding growth, with the year-end combined balances of \$325 million representing a 17% increase over the previous year.

As the bank has grown over the years, we have tried to maintain that feeling of togetherness, of common purpose. Ironically, the more that you grow, the harder it is to stay together. It very much has to be an intentional thing. All these years later, one location in Howard County has turned into eight locations across three counties and, as mentioned earlier, our number of employees has grown by one hundred. A bank that began with \$12 million in capital now has assets of over half a billion dollars. Yet we still manage to work together, which is why we have had so much success.

When you have this many people, spread out over this many locations, it's really hard to get everyone pulling in the same direction. It takes a lot of communication and a lot of effort. As an organization and as a family, we are certainly not perfect at this, but it is the pursuit of perfection that makes us the best we can be. As long as we continue to grow, together as a team, there is nothing that we cannot accomplish.



Indiana Bankers Association's  
Commitment to Community Award Presentation

## Karen Munsey Investment Department Manager



Community First Investment Group did extremely well in 2021. We are happy to report strong growth in our Assets Under Management (AUM), as well as the highest revenue growth in our department's history

despite the unprecedented challenges that we have all faced. Our team did an incredible job of bringing in \$18MM in total new assets. This helped increase our AUM from \$87MM to \$107MM, a 23% growth, resulting in net revenue of \$664,096, a 42% growth over the previous year.

Additionally in 2021, Larry Rolland and Bart Irwin were both recognized by Transamerica as Top of the Pyramid Advisors and Larry was also recognized as one of LPL Financial's top financial advisors with his induction into LPL's Freedom Club. In June, we launched our new and improved website [cfgadvisors.com](http://cfgadvisors.com). The new website serves as a place for clients to find information on the services we provide. There is also a link to LPL's client portal, as well as access to financial calculators and blogs.

We continue to partner with LPL Financial and Bankers' Financial Services Network. The resources provided by

both companies have helped to boost our efficiency and enhance the overall client experience. Our team offers our clients a wide range of investment options, which include: mutual funds, ETF's, real estate trusts, annuities, individual stocks, bonds, six advisory platforms, life insurance, long term care, and disability insurance. For our business clients, we offer business solutions, which include retirement and succession planning for owners. The employee benefits include: 401k, Simple IRA's, SEP IRA's, and voluntary life insurance.

Our 2022 focus is growth, and we are looking to expand our team and add a financial advisor for Hamilton County and the surrounding area. This market area will help in the growth of our AUM and net revenue, while also providing an opportunity to refer clients back to the bank for retail and commercial products and services. Our team continues to focus on helping our clients understand the current financial trends and prepare them to make informed decisions to stay aligned with their financial goals.

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## Janelle Campbell Residential Mortgage Sales Manager



Community First Bank Mortgage Department saw record numbers for a second year in a row. Rates remained low across the industry and our team stepped up to the challenge to originate over \$80 million in mortgages.

This is an increase of

almost 9% year over year of mortgage production. Our portfolio lending and HELOC products remain strong options for customers that aren't able to obtain secondary

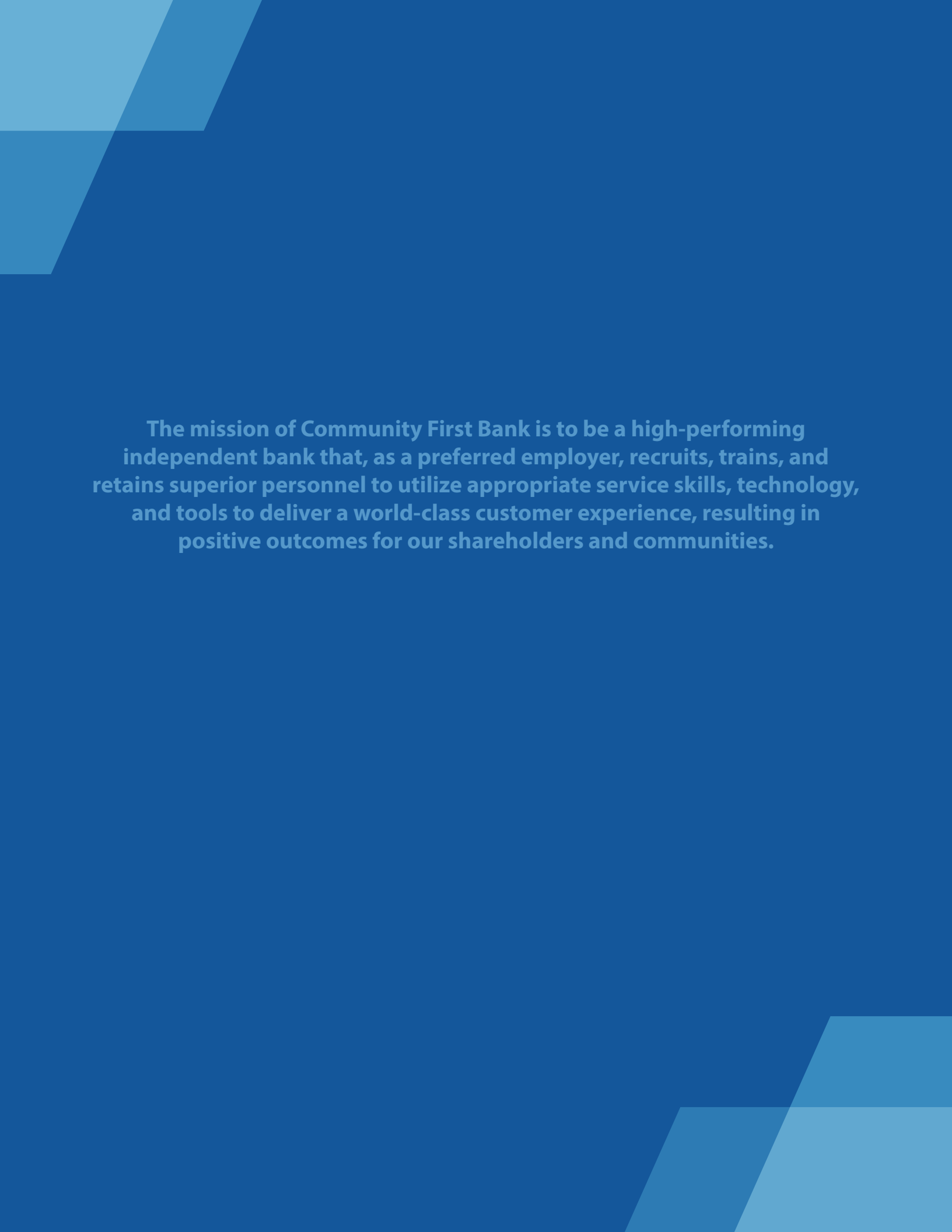
**"We have the right people in the right spots focusing on the right part of the mortgage process, which translates into very happy customers and a successful team."**

market financing for various reasons. Our portfolio mortgages increased by almost \$7 million from 2020 to 2021.

Not only did we experience record growth in mortgage production in 2021, but our department underwent staffing changes to accommodate the production growth. The mortgage team had several internal moves from other departments to be

prepared for this growth. Slater Young moved from retail to become a Loan Originator, Katie Tharp moved from retail to become a Residential Mortgage Production Assistant for Howard County, Shanda Fowler moved from retail to become a Mortgage Closer, and Julie Clabaugh moved from operations to become a Mortgage Loan Processor. The mortgage department team is staffed to succeed. We have the right people in the right spots focusing on the right part of the mortgage process, which translates into very happy customers and a successful team.

We are excited to tackle 2022 and have the vision to add additional loan products to our current offerings as we partner with a new investor to sell loans to on the secondary market. We are developing and evaluating systems to make our team run more efficiently, with outstanding customer service being our end goal. The mortgage department continues to grow and develop into a very strong and efficient team that is not only focused on improving the customer experience, but developing relationships with our REALTORS and market partners as well as giving back to our communities. We are excited to be an integral part of the future growth of Community First Bank as we expand our footprint and increase our focus on growing this department profitably.



**The mission of Community First Bank is to be a high-performing independent bank that, as a preferred employer, recruits, trains, and retains superior personnel to utilize appropriate service skills, technology, and tools to deliver a world-class customer experience, resulting in positive outcomes for our shareholders and communities.**